

Message Text

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ACTION NEA-10

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FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 7243

INFO AMEMBASSY KABUL

AMCOSUL KARACHI 1840

AMEMBASSY MOSCOW

AMEMBASSY NEW DELHI

AMEMBASSY TEHRAN

AMEMBASSY DACCA

C O N F I D E N T I A L SECTION 1 OF 2 ISLAMABAD 9982

E.O. 11652: GDS

TAGS:FOR, PK, QR

SUBJ: BHUTTO'S VISIT TO MOSCOW

SUMMARY: THE GOP IS DEVOTING CONSIDERABLE EFFORT TO PRIME MINISTER BHUTTO'S OCTOBER 24-26 VISIT TO MOSCOW AND IS PREPARED TO DISCUSS AN EXTENSIVE AGENDA THERE IN DETAIL. THE PAKS ARE APPROACHING THE RESCHEDULED TALKS IN A WARY BUT MILDLY HOPEFUL MOOD. THEY ARE CONCERNED ABOUT SOVIET INTENTIONS IN SOUTH ASIA AND HOPE TO BRING THE SOVS TO A MORE SYMPATHETIC UNDERSTANDING OF THEIR POSITIONS ON CONTROVERSIAL REGIONAL PROBLEMS. WHILE THEY DO NOT EXPECT ANY FUNDAMENTAL CHANGE IN THE ORIENTATION OF SOVIET SOUTH ASIAN POLICY TO RESULT FROM THE MOSCOW MEETING, THEY PROBABLY BELIEVE THERE IS PLENTY OF ROOM SHORT OF THIS FOR THE SOVS TO DEMONSTRATE A MORE EVEN-HANDED APPROACH IN THE AREA. ON THE ECONOMIC SIDE, THE PROBLEMS OF THE SOVIET-ASSISTED KARACHI STEEL MILL PROJECT WILL BE SIGNIFICANT

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AGENDA ITEM. END SUMMARY.

1. THE GOP IS DEVOTING CONSIDERABLE EFFORT TO PREPARATIONS FOR PRIME MINISTER BHUTTO'S OCTOBER 24-26 VISIT TO MOSCOW AND THE COMPOSITION OF THE LARGE PARTY WHICH WILL BE GOING THERE WITH HIM IS ITSELF INDICATIVE OF THE IMPORTANCE THE PAKS ATTACH TO THE TRIP. BHUTTO WILL BE ACCOMPANIED BY MUCH OF THE UPPER ECHELON OF THE MINISTRY OF FOREIGN AFFAIRS, INCLUDING BOTH MINISTER OF STATE AZIZ AHMED AND FOREIGN SECRETARY AGHA SHAHI (WHO IN THE ABSENCE OF THE AILING DIRECTOR GENERAL FOR SOVIET AFFAIRS HAS TAKEN DIRECT CHARGE OF THE PREPARATIONS) AND BY THREE CABINET MINISTERS: RAFI RAZA (PRODUCTION) AND ABDUL HAFIZ PIRZADA (INTERPROVINCIAL AFFAIRS, EDUCATION, LAW) BOTH AMONG THE PM'S CLOSEST CONFIDANTS--AS WELL AS LEFTIST-LEANING MINISTER WITHOUT PORTFOLIO KH. MEER. THE PRESENCE OF A LARGE TROUPE OF REGIONAL OFFICE CHIEFS, SUCH AS THE DIRECTORS GENERAL FOR AFGHANISTAN AND SOUTH ASIA SUGGESTS THAT THE PAKS WILL COME TO MOSCOW PREPARED TO DISCUSS IN DETAIL A BROAD RANGE OF CONTROVERSIAL POLITICAL PROBLEMS. THAT PAK-SOV ECONOMIC RELATIONS ALSO WILL FIGURE PROMINENTLY IS UNDERSCORED BY THE PRESENCE IN THE DELEGATION BOTH OF RAZA AND STEELMILL CORPORATION CHAIRMAN A.R. FARIDI. BHUTTO'S COMMENTS IN HIS OCTOBER 16 PRESS CONFERENCE IN QUETTA (KARACHI 2080) IS FURTHER INDICATION THAT THE PAKS EXPECT TO SPEND THEIR TIME IN MOSCOW IN DETAILED DISCUSSION OF A BROAD AGENDA.

2. THE PAKS ARE APPROACHING THESE RESCHEDULED TALKS IN A WARY BUT MILDLY HOPEFUL MOOD. WHATEVER THEY MAY SAY PUBLICALLY ABOUT THEIR SATISFACTION WITH THEIR RELATIONS WITH THE SOVIET UNION--THE MOST RECENT EVIDENCE OF THIS PRACTICE WAS BHUTTO'S OCTOBER 16 DENIAL OF ANY UNFRIENDLY SOVIET ROLE IN BALUCHISTAN--AND HOWEVER MUCH THEY MAY QUOTE FOR POPULAR POLITICAL CONSUMPTION FAVORABLE SOVIET MEDIA COMMENTS ON THE GOP AND ITS LEADER, THEY CONTINUE TO BE CONCERNED ABOUT SOVIET INTENTIONS IN SOUTH ASIA. THEY ARE PARTICULARLY TROUBLED BY WHAT THEY TELL US IS A REPEATED PATTERN OF SOVIET DEMARCHES ON BEHALF OF AFGHANISTAN AND BANGLADESH IN WHICH THE SOVS HAVE CONVEYED GOA AND BDG POSITIONS TO THE GOP WITH THE CLEAR IMPLICATION THAT THEY SUPPORT THESE VIEWS AND BELIEVE THE PAKS SHOULD ACCEPT THEM. THE PAKS ARE ALSO CONCERNED ABOUT

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CONTINUED SOVIET PRESSURE ON THEM TO ACCEPT THE SOVIET-SPONSORED ASIAN SECURITY SYSTEM. MORE BROADLY, THEY FEAR THAT AS SOVIET INTEREST AND INFLUENCE IN SOUTH ASIA INCREASES AND (AS THEY SEE IT) US CONCERNS IN THE REGION DECREASE AND THE PRC BECOMES INCREASINGLY INVOLVED IN ITS OWN LEADERSHIP CHANGES, PAKISTAN'S POSITION WILL DETERIORATE VIS-A-VIS SOVIET-SUPPORTED NEIGHBORS WHICH ARE UNRECONCILED TO PAKISTAN AS A STRONG STATE WITHIN ITS PRESENT BOUNDARIES.

3. THE PAKS WILL HOPE IN THEIR TALKS IN MOSCOW TO BRING THE SOVIETS TO A MORE SYMPATHETIC UNDERSTANDING OF THE GOP'S POSITIONS ON CONTROVERSIAL REGIONAL PROBLEMS. WE CAN EXPECT, FOR EXAMPLE, THAT THEY WILL SPELL OUT IN DETAIL THEIR DIFFERENCES WITH AFGHANISTAN (STRESSING ASSURANCES THAT THEY DO NOT WISH HOSTILITIES WITH KABUL), THEIR ANALYSIS OF THE PROGRESS AND LIMITATIONS OF THE SIMLA NORMALIZATION PROCESS, AND THEIR EFFORTS TO REGULARIZE THEIR RELATIONS WITH BANGLADESH. THEY ARE UNLIKELY TO ENCOURAGE ANY MOVE ON THE PART OF THE SOVIETS TO PLAY A DIRECT ROLE IN SETTTLING REGIONAL CONTROVETSIES. IN THE COURSE OF THEIR PRESENTATIONS THEY WILL SEEK TO DEMONSTRATE TO THE SOVIETS THAT UNDER BHUTTO'S LEADERSHIP PAKISTAN HAS RECOVERED FROM THE TRAUMA OF 1971 AND IS ONCE AGAIN AN IMPORTANT ELEMENT OF STABILITY IN SOUTH ASIA WHICH THE SOVIETS IN THEIR OWN INTERESTS SHOULD ACCEPT AS SUCH.

4. WE ANTICIPATE THAT THE PAKS WOULD NOT EXPECT ANY FUNDAMENTAL CHANGE IN THE ORIENTATION OF SOVIET SOUTH ASIAN POLICY TO RESULT FROM THE MOSCOW MEETING. ANY SUCH SHIFT WOULD IMPLY A MAJOR QUID PRO QUO, PROBABLY INCLUDING ADHERENCE TO THE ASIAN SECURITY SYSTEM, WHICH THE PAKS ARE NOT AT THIS POINT AT LEAST PREPARED TO MAKE GIVEN THE REPERCUSSIONS THEY WOULD EXPECT THIS TO HAVE BOTH ON THEIR CLOSE TIE WITH PEKING AND ON THE POSSIBLITY OF SOUNDER RELATIONS--READ A CHANGE IN US MILITARY SUPPLY POLICY--WITH WASHINGTON.(THEY WILL NOT, OF COURSE,TURN DOWN THE SOVIETS OUTRIGHT BUT IN THE MANNER OF OTHER SOV TARGETS WILL TRY TO WORK UP SOME MINIMAL LANGUAGE FOR COMMUNIQUE PURPOSES DESIGNED TO AVOID GIVING OFFENSE TO ANYONE). BUT AT THE SAME TIME THE PAKS ARE PROBABLY PERSUADED THAT THERE IS STILL PLENTY OF ROOM SHORT OF SUCH A FUNDAMENTAL REORIENTATION FOR THE SOVIETS TO DEMONSTRATE A MORE EVEN-
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HANDED APPROACH IN THEIR RELATIONS WITH SOUTH ASIA AND THAT THE MOSCOW SESSIONS WILL PRODUCE BOTH A CLARIFICATION OF AND AN IMPROVEMENT IN PAK-SOV RELATIONS.
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INFO OCT-01 EUR-08 ISO-00 CIAE-00 DODE-00 PM-03 H-01

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INFO AMEMBASSY KABUL

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5. AMONG ECONOMIC PROBLEMS, THE PROBLEM OF COST ESCALATION IN CONNECTION WITH THE SOVIET-ASSISTED KARACHI STEEL MILL PROJECT IS CERTAIN TO COME UP, PARTICULARLY IN LIGHT OF STEEL MILL CORPORATION CHAIRMAN A.R. FARIDI'S PRESENCE IN THE DELEGATION. FARIDI RECENTLY TOLD CONGEN KARACHI THAT THE COST OF THE PROJECT HAS RISEN TO RS. 1,400 CRORES (1.4 BILLION) WHICH WAS MORE THAN DOUBLE THE ORIGINAL ESTIMATE OF 650 CRORES. FARIDI FEELS THAT THE COST SHOULD NOT HAVE GONE UP SO DRASTICALLY IN THE USSR BECAUSE IT IS MORE INSULATED THAN OTHER COUNTRIES(E.G. JAPAN) FROM THE EFFECTS OF WORLD INFLATION. HE INDICATED SOME PAKISTANI SUSPICIONS OF MOTIVES BEHIND THE INORDINATE PRICE INCREASE. FARIDI SAID FURTHER THAT THE SOVIETS HAD PLACED NO LIMITS ON THE FINANCING OF THE STEEL MILL AND INDICATED THAT THE GOP WAS TOO FAR DOWN THE ROAD WITH THE SOVIETS ON THIS PROJECT TO CHANGE TO FOREIGN SPONSORSHIP. HE DID, HOWEVER, REFER TO THE ALGERIAN EXPERIENCE IN SHIFTING FROM SOVIET TO FRENCH BACKING FOR THEIR STEEL MILL PROJECT WHEN THE GOING WITH THE SOVIETS GOT TOO ROUGH., BUT HE THOUGHT THERE WOULD BE A CLARIFICATIONS OF FINANCIAL CONFIDENTIAL

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TERMS AND OTHER QUESTIONS DURING THE PRIME MINISTER'S VISIT.

6. OTHER ECONOMIC SUBJECTS WHICH ARE LIKELY TO ARISE ARE THE GOP'S LACK OF SUCCESS IN RESCHEDULING PAKISTAN'S SOVIET DEBT ALONG THE LINES OF THE CONSORTIUM ARRANGEMENT

AND THE FURTHER GOP PURCHASE OF UREA FERTILIZER. ON THE
SOVIET SIDE, IT IS CONCEIVABLE THAT THE SUBJECT OF HELPING
EXPLOIT BALUCHISTAN'S REPORTEDLY PROMISING COPPER DEPOSITS
WILL AGAIN B E BROACHED.
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